

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NEA-10 NSAE-00

USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02

SIL-01 AGRE-00 OMB-01 STR-04 INT-05 /094 W

-----200331Z 095363 /12

R 200145Z MAY 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7914

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

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USMISSION OECD PARIS

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD EEC JA OECD

SUBJECT: OECD AD HOC GROUP ON STEEL

REF: STATE 114300

1. SUMMARY. JAPANESE SEEM NOW TO BE TAKING A MORE POSITIVE ATTITUDE TOWARD OECD AD HOC GROUP ON STEEL, ALTHOUGH THEY HAVE SOME RESERVATIONS ABOUT TREATMENT OF PRICING PRACTICES. GOJ WILL BE REPRESENTED AT OECD TRADE COMMITTEE MEETING BY EITHER MIZOGUCHI OR KAYO FROM FOREIGN MINISTRY AND TAKAHASHI FROM MITI. END SUMMARY.

2. EMBOFF CONVEYED SUBSTANCE OF U.S. THINKING ON STEEL AD HOC

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GROUP TO FOREIGN MINISTRY PER REFTEL. WE WERE INFORMED THAT JAPAN WILL BE REPRESENTED AT OECD TRADE COMMITTEE MEETING MAY 23-24 BY FOREIGN MINISTRY ECON AFFAIRS BUREAU DEP DIRGEN MIZOGUCHI, WHO IS NOW IN GENEVA FOR MEETINGS ON SUGAR. IF MIZOGUCHI IS UNABLE TO LEAVE GENEVA SOON ENOUGH, THE FOREIGN MINISTRY WILL SEND DEP DIRGEN KAYA TO TRADE COMMITTEE. BOTH ARE REASONABLY WELL INFORMED ON STEEL ISSUES AND

WILL BE PREPARED FOR INFORMAL DISCUSSION ON THE WORK OF THE AD HOC GROUP. MITI WILL BE REPRESENTED BY INTERNATIONAL ECON AFFAIRS DEPARTMENT DIRGEN TAKAHASHI. FOREIGN MINISTRY WOULD PREFER HAVING STEEL TALKS IN PARIS SINCE ITS REPRESENTATIVE WOULD NOT BE AVAILABLE TO GO TO BRUSSELS.

3. WHEN EMBOFF RAISED THIS SUBJECT AT MITI, STEEL DIVISION DIRECTOR ISHII TOOK OCCASION TO PROVIDE A FULL RUNDOWN ON HIS THINKING. ISHII'S REMARKS WERE PERSONAL AND INFORMAL BUT HIS VIEWS GENERALLY REPRESENT THOSE OF MITI. ISHII NOTED THAT HE AND DIRGEN AMAYA HAD AGREED WITH THE "FRAMEWORK" OF OUR PROPOSAL TO DISCUSS STEEL IN THE OECD. DURING DISCUSSIONS OF FORMAT FOR THOSE TALKS, JAPANESE REPS HAD GOTTEN IMPRESSION THAT USG WANTED THEM TO BE "UNLIMITED". ISHII SAID HE WAS TROUBLED BY THAT EXPRESSION AND WAS CONCERNED THAT OECD TALKS WOULD FOCUS ON STEEL PRICING AND MARKETING TO THE DETRIMENT OF JAPANESE INTERESTS. WE RESPONDED THAT A DISCUSSION OF STEEL COULD HARDLY AVOID THE QUESTION OF PRICING PRACTICES, ADDING THAT WE WERE CONCERNED ABOUT DUMPING COMPLAINTS BY U.S. INDUSTRY AND THAT WE FEEL THAT MULTILATERAL OR BILATERAL DISCUSSIONS OF SUCH PROBLEMS OUGHT TO BE PREFERABLE TO UNILATERAL ACTION BY THE U.S. ISHII SAID HE UNDERSTOOD THAT, BUT THAT GOJ WAS CONCERNED ABOUT COMING UNDER PRESSURE TO RESTRAIN JAPANESE STEEL INDUSTRY. HE SAID MITI HAD NO LEGAL AUTHORITY TO DO THAT AND HE ASKED IF USG HAD THE POWER TO CONTROL PRICING PRACTICES OF U.S. STEEL EXPORTERS OR, LIMITED OFFICIAL USE

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FOR THAT MATTER, TO CONTROL DOMESTIC PRICES OF U.S. STEEL INDUSTRY. WE RESPONDED THAT SUCH QUESTIONS POINT UP NEED FOR ESTABLISHING OECD AD HOC GROUP.

4. COMMENT: WE THINK THAT ISHII FOR ONE HAS STRONG RESERVATIONS ABOUT TAKING ON THE JAPANESE STEEL INDUSTRY. BIG STEEL IN JAPAN, LIKE BIG BANKING, WIELDS TREMENDOUS INFLUENCE AND MITI IS NOT IN A POSITION TO ISSUE ADMINISTRATIVE GUIDANCE TO IT AS IT CAN TO THE COLOR TV INDUSTRY, FOR EXAMPLE. IN DISCUSSING STEEL WITH JAPANESE OFFICIALS, WE ARE BOUND TO FIND THEM EXTREMELY CAUTIOUS, AT LEAST UNTIL THEY HAVE CHECKED WITH THEIR OWN INDUSTRY REPRESENTATIVES. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEELS, PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO07374
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770179-0867
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770532/aaaabccg.tel
Line Count: 112
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 77f6c58c-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 114300
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2425871
Secure: OPEN
Status: NATIVE
Subject: OECD AD HOC GROUP ON STEEL
TAGS: ETRD, JA, EEC, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/77f6c58c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009